

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF ROGER	)	APPEAL NO. 12-A-1279
BOMAN from the decision of the Board of	)	
Equalization of Bear Lake County for the tax year	)	FINAL DECISION
2012.	)	AND ORDER

**COMMERCIAL PROPERTY APPEAL**

Notice of appeal was filed by Appellant August 13, 2012. The appeal is taken from a decision of the Bear Lake County Board of Equalization denying the protest of valuation for taxing purposes on property described as Parcel No. RPM4840011006B. The Board determined to hear this matter on the written record of evidence and argument presented. The Board subsequently ordered all information and evidence be submitted by the parties, after which the record was closed. The Board now issues its decision based on the written record created.

**The issue on appeal is the market value of an improved commercial property.**

**The decision of the Bear Lake County Board of Equalization is affirmed.**

FINDINGS OF FACT

The assessed land value is \$226,080, and the improvements' value is \$1,386,680, totaling \$1,612,760. Appellant requests the total value be reduced to \$1,160,977.

The subject property is 2.45 acres improved with a 50-room motel built in 1996. The property is located in Montpelier, Idaho at the intersection of Highways 89 and 30, with direct access to both routes. The County reported the 2-story, brick veneer structure had 22,300 square feet with interior corridors to the individual rooms. For valuation purposes, the County used a 48-room count.

Appellant argued subject should be valued and assessed at \$1,160,977 based on an income approach to value. In support of the income approach, a 2011 income statement for subject was submitted. Appellant used the same 10.8% overall capitalization rate put forward

by the County. Respondent argued Appellant's net income was understated where the allowed maintenance expense was contended to be overstated and not representative of a typical year. Appellant claimed the maintenance expense contention was not proven.

Appellant also contended subject's assessment should be reduced based on a comparison to other nearby or similar motel assessments.

Respondent presented a current appraisal on the subject property. Indicators from the three (3) approaches to value were considered with the results indicated in the chart below.

Cost:		\$1,612,760
Income:		\$1,517,759
Market:	Sales	\$1,753,104
	Askings	\$1,714,696

In the cost approach, Respondent used Marshall and Swift cost tables to calculate a replacement cost less depreciation model. The construction grade was fair, and the condition rating was average. A second construction cost estimate was obtained using RSMeans. In its income approach the County reconstructed older profit and loss statements for the subject motel. The direct capitalization rate applied to the net operating income estimate was 10.8%, which rate included a 1.2% property tax component. From the record it appeared this capitalization rate was derived from a 2012 listing price of a 108-room, 1979 built motel located in Pocatello, Idaho. The motel eventually sold in May of 2012 for about 6.5% less than the list price.

The four (4) Idaho motel sales considered by the County were from 2005, 2006 and 2008. Of the two (2) 2006 sales, one of these was the subject with a sale price of \$1,800,000. The unit of comparison was room count. Due to the older sale dates, the County also considered within

its market approach five (5) current Idaho listings. The average per room listing price was discounted 10% to indicate final sale price. Appellant expressed concerns with the older sale dates and the general lack of specific property identifications for the County's comparable sales.

Respondent reported current income and expense information was not provided upon request. Due in part to data concerns with the income and market approaches, the County chiefly used the cost approach to assess subject for the 2012 tax year.

### CONCLUSIONS OF LAW

This Board's goal in its proceedings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered the evidence submitted by the parties in support of their respective positions, hereby enters the following conclusions.

Pursuant to Idaho Code Section 63-205, the effective date of valuation in this market value case is January 1, 2012. Both parties presented appraisals of subject's market value that were germane to this date. Appellant chiefly relied on an income approach to value that used income information from subject's actual 2011 performance. The capitalization rate used was that put forward by the Assessor.

Appellant also argued subject's market value should be based on a comparison to other motel assessments. The Board did not find the analysis of other assessments to be good evidence of subject's current market value.

Respondent using sometimes older or thin information processed value indicators from each of the three (3) traditional approaches to value. The relative strengths and weaknesses of each indicator were generally considered. In conclusion, the County argued subject should

be valued and assessed based on the cost approach to value. It was noted subject was the newest motel in Montpelier and that the property was maintained in good condition.

The value decision of the Board of Equalization is presumed to be correct. *The Senator, Inc. v. Ada County, Bd. of Equalization*, 138 Idaho 566 (2003). There is no one factor which can be said to be the key to the proper appraisal of taxable property. *Merris v. Ada County*, 100 Idaho 59 at 63 (1979). The County has offered appraisal evidence in support of its valuation on appeal. Pursuant to I.C. Section 63-511(4), the Appellant must show by a preponderance of the evidence that the assessment is in error. “A ‘preponderance of evidence’ is evidence that, when weighed with that opposed to it, has more convincing force and from which results a greater probability of truth.” *Harris v. Electrical Wholesale*, 141 Idaho 1, 3 (2004).

There were limitations in the County’s appraisal evidence. These were largely due to data limitations. Relatively speaking, the cost approach was supported by the best information and this was the approach relied on by the County in setting subject’s 2012 assessed value. The County’s other indicators from the market and income approaches tended to support the value indication from the cost approach.

Appellant’s value case mainly argued subject should be valued and assessed based on an income approach that relied on a single year’s actual income performance.

The Board did not find where Appellant proved error in the County’s assessment of subject, nor where Appellant’s income approach, by itself, presented the best evidence or the most correct valuation of subject’s market value. The County’s concerns over whether or not 2011 expenses were typical were not well addressed. The capitalization rate used by both parties was not well supported, and possibly overstated where it was derived from a single

comparable's listing information. In contrast to Appellant's income approach, the County's appraisal seemed more thorough and reliable with all three (3) approaches processed and considered. Where the County assessment was supported, and where Appellant did not meet the burden of proof in this matter, the decision of the Bear Lake County Board of Equalization will be affirmed.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bear Lake County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 22<sup>nd</sup> day of March, 2013.